

Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 SAJ-01 SP-02 AID-05 EB-07 NSC-05

RSC-01 CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01

CIAE-00 COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06

LAB-04 SIL-01 L-02 H-02 DODE-00 PA-02 USIA-15 PRS-01

/112 W

----- 121683

R 101655Z JAN 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 7184

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

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DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/S

TAGS: EFIN, GW

SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING JANUARY
9)

REF.: BONN 14600 AND BONN 19593

1. LOSSES OF HESSIAN LANDESBANK (HELABA) HAVE NOW BEEN
ESTIMATED AT DM 1.7-1.8 BILLION. IN THE INITIAL ARRANGE-
MENTS TO MAKE UP THIS LOSS DM 300 MILLION PAYMENTS TO
THE BANK WERE MADE EACH BY THE LAND HESSE AND THE
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HESSIAN AND GERMAN ASSOCIATION OF SAVINGS BANKS. TO

STRENGTHEN HELABA'S BALANCE SHEET DM 330 MILLION OF L973
AND 1974 HELABA PROFITS WILL BE RETAINED AND A DM 300
MILLION LOAN COVERED BY A LAND HESSE GUARANTEE WILL BE
RAISED. IN ADDITION A FURTHER INFUSION OF DM 570
MILLION OF NEW MONEY IS PLANNED FOR L975.

2. HERSTATT PROBLEM LINGERS: WHILE THE FINAL AUTHORIZ-
ATION FOR THE HERSTATT LIQUIDATION SETTLEMENT WAS HANDED
DOWN BY THE COLOGNE COURTS ON DECEMBER 27, CERTAIN LOOSE
ENDS REMAIN UNTIED. FINAL DETAILS ARE STILL TO BE IRONED
OUT IN THE GERLING SALE OF 51 PERCENT OF HIS INSURANCE
EMPIRE TO THE ZURICH INSURANCE COMPANY AND THE GERMAN
INDUSTRIAL CONSORTIUM (SEE REFTTEL 19593). WHILE IT IS
STILL POSSIBLE THAT THE LIQUIDATION ARRANGEMENTS COULD
COLLAPSE AND LONG-TERM BANKRUPTCY PROCEDURES INSTITUTED,
THE PARTIES TO THE SETTLEMENT NEGOTIATIONS CON-
SIDER THIS REMOTE.

3. SUMMARY OF LOSSES OF GERMAN BANKS: THE FOLLOWING LIST
LIST REVIEWS THE MAJOR LOSSES OF GERMAN BANKING INSTI-
TUTIONS DURING 1974:

BANK	ASSETS	LOSS
	(DM BILLION)	
HESSIAN LANDESBANK GIROZENTRALE	34.4	1.7
I.D. HERSTATT (GERMANY)	2.1	1.2
BAU-KREDITBANK (GERMANY)	0.6	0.456
WESTDEUTSCHE LANDESBANK GIROZEN- TRALE (GERMANY)	54	0.27
NORDDEUTSCHE LANDESBANK GIRO- ZENTRALE (GERMANY)	0.24	0.3
BASS & HERZ (GERMANY)	0.7	UNKNOWN
BANKHAUS WOLFF (GERMANY)	0.55	UNKNOWN
FRANKFURTER HANDELSBANK (GERMANY)	0.14	UNKNOWN

4. FOREIGN EXCHANGE MARKET: DESPITE SIGNIFICANT SUPPORT
PURCHASES BY THE BUNDESBANK THE DOLLAR DROPPED STEADILY
DURING THE FIRST PART OF THE REPORTING WEEK AND DN
JANUARY 7 REACHED ITS LOWEST POINT SINCE AUGUST 1973.
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ACCORDING TO THE FINANCIAL PRESS THIS WAS DUE TO THE
DISCOUNT RATE REDUCTION IN THE U.S., AND STRONG COMMER-
CIAL DEMAND FOR EUROPEAN CURRENCIES, ESPECIALLY THE
DEUTSCHEMARK. DURING THE REPORTING WEEK SPOT AND FOR-
WARD DOLLARS DEVELOPED AS FOLLOWS:

FORWARD DOLLARS
(DISCOUNTS IN PCT. P.A.)

SPOT DOLLARS ONE-MONTH THREE-MONTH

JAN 3	DM 2.3995	2.8	2.6
6	2.3930	2.3	2.3
7	2.3780	2.5	2.4
8	2.3845	1.8	2.0
9	2.3900	1.76	2.01

CORRECTION IN PREVIOUS WEEK'S REPORT: THREE-MONTH FORWARD DOLLARS FOR DEC 30 AND JAN 2 SHOULD READ 2.4 AND 2.5, RESPECTIVELY.

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WITHIN THE JOINT FLOAT ALL CURRENCIES, WITH THE EXCEPTION OF THE DANISH AND NORWEGIAN CROWNS, WERE ABOVE THEIR DM CENTRAL RATE. NONE REACHED THEIR UPPER DM INTERVENTION RATE.

5. MONEY MARKET: ON JANUARY 7 THE CALL MONEY RATE FELL BELOW THE DISCOUNT RATE OF 6 PERCENT, ESTABLISHED ON DECEMBER 19. DURING THE REPORTING WEEK FRANKFURT INTER-BANK MONEY RATES DEVELOPED AS FOLLOWS:

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CALL MONEY ONE-MONTH MONEY THREE-MONTH MONEY

JAN 3	7.0-7.5	7.5-7.7	7.5-7.8
6	7.0-7.5	7.5-7.7	7.5-7.8
7	5.8-6.5	7.2-7.5	7.3-7.7
8	6.3-6.6	7.2-7.5	7.3-7.7
9	7.4-8.0	-	-

6. BOND MARKET: DURING THE REPORTING WEEK THE FAZ AVERAGE YIELDS TO MATURITY OF OUTSTANDING DOMESTIC BONDS DEVELOPED AS FOLLOWS:

8 PERCENT 7 PERCENT 6 PERCENT

JAN 3	10.16	9.89	9.64
6	10.12	9.86	9.57
7	10.11	9.87	9.52
8	10.06	9.81	9.47
9	10.01	9.81	9.46

ON JANUARY 7 THE CENTRAL CAPITAL MARKET COMMITTEE AGREED ON THE ISSUANCE OF A DM 660 MILLION FEDERAL GOVERNMENT LOAN WITH THE FOLLOWING CONDITIONS: COUPON 9.25 PERCENT; MATURITY 8 YEARS; ISSUE PRICE 99 PERCENT; YIELD TO MATURITY 9.43 PERCENT. DM 600 MILLION OF THIS LOAN WILL BE OFFERED FOR SALE BETWEEN JANUARY 10-14. ON JANUARY 7 A CONTRACT FOR A DM 150 MILLION LOAN WAS SIGNED BETWEEN THE EUROPEAN INVESTMENT BANK, LUXEMBOURG AND ITS GERMAN BANKING CONSORTIUM LED BY THE DEUTSCHE BANK, THE DRESDNER BANK, THE COMMERZBANK AND THE WEST-DEUTSCHE GIROZENTRALE (COUPON 9.5 PERCENT; ISSUE PRICE 99 PERCENT; MATURITY 5 YEARS FREE OF REDEMPTION).

7. DATA ON CHANGES IN BUNDESBANK MONETARY RESERVES AND BANK LIQUIDITY IN THE LAST WEEK OF DECEMBER WERE NOT AVAILABLE AT TIME OF PREPARATION OF THIS TELEGRAM.

CASH

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Message Attributes

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Draft Date: 10 JAN 1975
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Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
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Disposition Date: 01 JAN 1960
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Review Content Flags:
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Review Event:
Review Exemptions: n/a
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EO Systematic Review
05 JUL 2006

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TAGS: EFIN, GE
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006